

# Support For Rural America

## Universal Service and The FCC

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# What is Universal Service?

An evolving level of telecommunications service at affordable rates, defined by the FCC with input from the states, that is supported by the Universal Service Fund.

# Universal Service History

A major goal -- Communications Act of 1934

1996 Telecommunications Act codified and expanded FCC's historical commitment

Movement from implicit to explicit support

# Guiding Principles of the Act

- Explicit support
- Affordable rates
- Specific, predictable and sufficient support
- Equitable and non-discriminatory contributions

## Additional principles of the FCC:

- Competitive neutrality
- Portability of support

# Who Promotes Universal Service?

- Carriers and their customers contribute
- Recipients implement
- Federal and State regulators develop policy
- A third party administrator (USAC) administers the Universal Service Fund under direction from the FCC

# Four Major Fund Components

- High Cost: Access to telecommunications services in rural or high cost areas at rates comparable to urban rates
- Low Income: Support for low-income customers
- Rural Health Care: Discounted service for rural health care facilities
- Schools and Libraries: Discounted service

# Contributors

- Interstate telecommunications carriers (interpreted to include providers of both interstate and international telecommunications)
- Other providers of interstate telecommunications, if the public interest so requires (as determined by the FCC)
- *De minimis* exemption: carriers whose annual contribution to universal service is less than \$10,000 (many rural carriers meet this criteria)

# Contributions

- **Snapshot of 2002:**

- About 2,500 Contributors
  - Interexchange carriers responsible for about 59% of the contributions
  - Local exchange carriers -- about 26%
  - Wireless – about 15%



# Support

- **Total 2002 Support: About \$5.9 Billion**
  - High Cost (\$2.9 billion)
  - Schools and Libraries (\$2.2 billion)
  - Low Income (\$681 million)
  - Rural Health Care (\$27 million)

# Definition of Supported Service

- Single-party service
- Voice grade access to the public telecom network
- Dual tone multi-frequency signaling
- Access to emergency, operator, and interexchange services, and directory assistance
- Toll limitation services for qualifying low-income consumers
- FCC is reviewing this definition

# High Cost Support – Six Components

- High Cost Loop Support
- Local Switching Support
- Long Term Support
- Interstate Common Line Support
- High Cost Model Support
- Interstate Access Support

# Schools and Libraries

- Eligible schools and libraries apply for discounts on telecommunications services, Internet services, and internal connections.
- Discount based on percent of students eligible for the school lunch program.
- Discounts vary between rural and urban areas. Rural applicants are eligible for an additional 10% discount up to a maximum of 90%.

# Schools and Libraries

- Provider reimbursed for discounts from 20-90%.
- Schools and libraries must competitively bid for services and apply every year.
- Combating waste, fraud, and abuse.

# Low Income

- **Components of Low Income Support**
  - **Link Up** discount on installation (up to \$30)
  - **Lifeline** discount on monthly service (up to \$9.50)

# Rural Health Care

- Eligible health care providers apply for discounts on telecommunications services. Eligible entities include: teaching hospitals, medical schools, community health centers, not-for-profit hospitals and rural health clinics.
- Rural health care provider must apply every year.

# Rural Health Care

- Health care providers may receive support for up to 30 hours (\$180) per month of toll charges to reach the internet, if no local dial-up access is available.
- Disbursements capped at \$400 million dollars annually
- Historically, only a fraction of the eligible providers have participated for a variety of reasons. RHC disbursed \$27 million in 2002.



# Competition in Rural Areas : Eligible Telecommunications Carrier Designations

- In general, wireline and wireless competitors may qualify to receive support from the federal universal service mechanisms.
- Must be designated eligible telecommunications carriers (ETC) by the relevant state commission or the FCC.

# Eligible Telecommunications Carrier Designations

- Competitive ETCs generally receive the same per-line amount of high-cost support that the incumbent would receive for serving a given customer. Support for competitive ETCs generally is based on the incumbent's costs.
- Competitive ETCs receive low-income support based on the same criteria that are applied to the incumbent.

# Thank You

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## Further Information:

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